FILED
7-20-15
02:30 PM

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Develop a Successor to Existing Net Energy Metering Tariffs Pursuant to Public Utilities Code Section 2827.1, and to Address Other Issues Related to Net Energy Metering.	Rulemaking 14-07-002 (Filed July 10, 2014)

ADMINISTRATIVE LAW JUDGE'S RULING PROVIDING FURTHER INSTRUCTIONS FOR PARTIES' PROPOSALS AND ACCEPTING INTO THE RECORD CERTAIN UPDATES TO THE PUBLIC TOOL

Background

As part of the work in this proceeding, Energy Division staff, working with consultants, has developed what has come to be called the Public Tool, for use in evaluating proposals for the successor tariff or contract mandated by Pub. Util. Code § 2827.1.[1] After extensive review by the parties, the Public Tool was released for use in this proceeding through the Administrative Law Judge's (ALJ) Ruling Setting Specifications for the Final Version of the Public Tool and Accepting into the Record the Final Version of the Public Tool (June 4, 2015).

---

[1] The directive at the beginning of § 2827.1 states:

> Notwithstanding any other law, the commission shall develop a standard contract or tariff, which may include net energy metering, for eligible customer-generators with a renewable electrical generation facility that is a customer of a large electrical corporation no later than December 31, 2015.

All further references to sections are to the Public Utilities Code, unless otherwise specified.

To aid parties in using the Public Tool to develop their proposals and to appropriately include alternatives for disadvantaged communities,[2] Energy Division staff produced two papers in early June. The papers were accepted into the record in a ruling that also provided direction to the parties for their proposals for a successor tariff or contract. (ALJ Ruling (1) Accepting into the Record Energy Division Staff Papers on the AB 327 Successor Tariff or Contract; (2) Seeking Party Proposals for the Successor Tariff or Contract; (3) Setting a Partial Schedule for Further Activities in this Proceeding (June 4, 2015) (June 4 Ruling).)

On June 12, 2015, The Alliance for Solar Choice (TASC) requested an extension of the schedule set in the ALJ's June 4 Ruling. After parties had an opportunity to comment, the Assigned Commissioner's Ruling Granting in Part Motion of TASC and Revising Procedural Schedule (June 23, 2015) extended the time for several of the tasks identified in the schedule set out in the June 4 Ruling.

On June 17, 2015, Energy Division staff notified the service list that an updated version of the final Public Tool, incorporating fixes to minor errors that were identified subsequent to the June 4 Ruling, was available on the Commission's website. On June 26, 2015, Energy Division staff subsequently notified the service list that an updated Public Tool FAQ document, providing instructions on how to modify certain inputs in the Public Tool to address

---

[2] Section 2827.1(b)(1) provides that the Commission must:

> Ensure that the standard contract or tariff made available to eligible customer-generators ensures that customer-sited distributed generation continues to grow sustainably and include specific alternatives designed for growth among residential customers in disadvantaged communities.

additional minor errors that were identified, was available on the Commission's website. As part of this notice, Energy Division staff advised parties that it intended to include hard coded fixes to the errors in a revised Public Tool that would be issued after the Commission adopted a decision on residential rate redesign in Rulemaking (R.) 12-06-013.

The Commission adopted Decision (D.)15-07-001 in the residential rate redesign proceeding on July 3, 2015. Among other things, D.15-07-001 directs:

- A narrowing of the existing usage tiers to a Two-Tier rate structure beginning in 2017 with a gradual reduction of the difference between the two tiers to 25% by 2019;

- A Super-User Electric (SUE) Surcharge for customers who consume above 400% of baseline beginning in 2017, with a 219% differential between Tier 1 and the SUE Surcharge by 2019;

- A $10 minimum bill for non-CARE customers and a $5 minimum bill for CARE customers beginning in 2015; and

- The large investor owned utilities (IOUs)[3] to submit applications to implement a default time of use (TOU) rate structure that includes a baseline credit, to be in place beginning in 2019.

[3] They are Pacific Gas & Electric Company (PG&E), San Diego Gas and Electric Company (SDG&E), and Southern California Edison Company (SCE).

Public Tool Updates

Fixes

Hard fixes for the issues identified in Staff's June 26, 2015 notice to parties have been incorporated into the revised Tool. Specifically:

- In the Revenue Requirement model on the RR Calculations Tab, the cell representing the capacity value of RPS resources in row 4046 is now represented in $/MWh when it was previously represented in $/kW-yr. This corrects an underestimation in the RPS REC value and impacts avoided cost results.
- In the Revenue Requirement model on the RR Calculations Tab, the distribution of customers across demand buckets was adjusted to more accurately represent distribution of customer demand. This corrects an error that impacts the calculation of a demand charge for cases that involve the Demand Differentiated Seasonal Time-of-Use rate.
- In the Public Tool model on the Advanced Rate Inputs Tab, the pre-populated default rates for SDG&E's non-residential sector were adjusted to more accurately represent SDG&E's current effective rates.

The revised Public Tool (dated July 17, 2015) and an updated FAQ document detailing all of the adjustments that were made to the Tool can be found on the Commission's website here: http://www.cpuc.ca.gov/PUC/energy/DistGen/NEMWorkShop04232014.htm.

Rate structure updates

The rate structure adopted in D.15-07-001 is different from both the Two-Tier and Three-Tier inputs loaded into the final version of the Public Tool. The existing inputs in the Public Tool thus no longer reflect the future residential rate structure.

The current version of the Public Tool can model the two-tier rate structure, TOU rate structure, and minimum bill adopted in D.15-07-001. It cannot, however, model the SUE Surcharge without significant modifications to the logic in the Public Tool. Energy Division staff is currently working with consultants to identify whether the adjustments that must be made to the Public Tool to accommodate the SUE Surcharge are feasible within the current schedule for this proceeding.

In an effort to maintain the current proceeding schedule, Energy Division staff, working with consultants, has prepared new inputs for the Public Tool that will allow parties to submit proposals that reflect the adopted rate structure as closely as possible within the current functionality of the Public Tool. D.15-07-001 adopted a rate structure that essentially requires the introduction of a minimum bill in 2015, a narrowing of existing tiers to two tiers in 2017, and a transition to default TOU rates in 2019. While the minimum bill can be incorporated in the Public Tool, the Public Tool only allows a single rate structure to be used in each model run from 2017 to 2050. A transition from one rate structure to another cannot be modeled.

Requirements for Use of Updated Public Tool

In order to make effective use of the functionalities available in the Public Tool and allow the development of a range of options for proposals, the instructions to parties for their proposals should be amplified to take account of the results of D.15-07-001, as follows:

1. Parties must run their policy proposals using three different rate structures: a Two-Tier rate structure, and two TOU rate structures that each present a bookend of potential TOU periods that could be implemented.

2. Parties must run their successor tariff proposals in the revised Public Tool using the rate structures below:

   - A Two-Tier rate structure with a minimum bill with cutoff for Tier 2 at 100% of baseline for PG&E and SCE and 130% of baseline for SDG&E, and Tier 2 rates 25% higher than Tier 1 rates.[4]

   - A bookend seasonal TOU rate structure with minimum bill with a 4 p.m. – 8 p.m. peak period, a baseline credit, on-peak rates 100% higher than off-peak rates, and summer rates 25% higher than winter rates.[5]

   - A bookend seasonal TOU rate structure with minimum bill with a 2 p.m. – 8 p.m. peak period, a baseline credit, on-peak rates 100% higher than off-peak rates, and summer rates 25% higher than winter rates.[6]

Each of these rate structures must be run with both the "low [distributed generation] DG" value and "high DG" value bookend cases.[7] These rate structure and DG value bookend case scenarios can be loaded on the "Results" tab of the Public Tool by selecting each scenario from the "load" drop down menu and then pressing the "load inputs" button.

---

[4] This rate structure replicates the Two-Tier structure adopted in D.15-07-001.

[5] The TOU peak period, rate differential and seasonal differential selected for this bookend were modeled to approximate TOU structure *6f* in supplemental filings by the IOUs, filed in R.12-06-013 on April 8, 2015.

[6] The TOU peak period, rate differential and seasonal differential selected for this bookend were modeled to approximate TOU structure *6c* in supplemental filings by the IOUs filed in R.12-06-013 on April 8, 2015.

[7] *See Energy Division Staff Paper on the AB 327 Successor Tariff or Contract: Staff paper Demonstrating how to use the Public Tool to Evaluate Options for a Successor to Net Energy Metering (NEM) tariffs in Compliance with Assembly Bill 327* (June 3, 2015) at 1-6. (Staff Tariff Paper).

If parties elect to run their policy proposal only with the scenarios above, parties must conduct six different model runs.[8] If parties decide to run their policy proposal with a third DG value case, as allowed in the June 4 Ruling, they must conduct nine different model runs.[9]

Additional Instructions to Parties

All elements of the revised procedural schedule set by the assigned Commissioner's ruling of June 23, 2015 remain in effect. Parties must still follow the instructions related to construction and presentation of proposals, comments and reply comments on proposals, and requests for evidentiary hearings, if any, set out in the June 4 Ruling.

IT IS RULED that:

1. The most recently updated version of the Public Tool may be found at http://www.cpuc.ca.gov/PUC/energy/DistGen/NEMWorkShop04232014.htm.

---

[8] The six model runs include:

1. Two-Tier Rate with High DG Value.
2. Two-Tier Rate with Low DG Value.
3. TOU Rate 4 p.m.-8 p.m. Bookend with High DG Value.
4. TOU Rate 4 p.m.-8 p.m. Bookend with Low DG Value.
5. TOU Rate 2 p.m.-8 p.m. Bookend with High DG Value.
6. TOU Rate 2 p.m.-8 p.m. Bookend with Low DG Value.

[9] The three additional model runs include:

1. Two-Tier Rate with Third DG Value.
2. TOU Rate 4 p.m.-8 p.m. Bookend with Third DG Value.
3. TOU Rate 2 p.m.-8 p.m. Bookend with Third DG Value.

2. Parties must use the version of the Public Tool identified in Ruling Paragraph 1, above, in developing their proposal for a successor tariff and evaluating their proposals using the Public Tool.

3. In accordance with the instructions contained in this ruling, each party making a proposal must run its successor tariff proposals in the Public Tool using the three different rate structures identified in this ruling. Each of these rate structures must be run with both the "low [distributed generation] DG" value and "high DG" value bookend cases that were included in Table 1 of the Staff Tariff Paper.

- If a party elects to run its successor tariff proposal only with these scenarios, it must conduct six different model runs to inform the proposal.
- If a party elects to run its successor tariff proposal with a third DG value case, as allowed in the June 4 Ruling, it must conduct nine different model runs to inform the proposal.

4. All other elements of the schedule set in the Assigned Commissioner's Ruling Granting in Part Motion of The Alliance for Solar Choice and Revising Procedural Schedule (June 23, 2015) and the instructions in the Administrative Law Judge's Ruling (1) Accepting into the Record Energy Division Staff Papers on the AB 327 Successor Tariff or Contract; (2) Seeking Party Proposals for the Successor Tariff or Contract; (3) Setting a Partial Schedule for Further Activities

in this Proceeding (June 4, 2015) remain in effect. Parties must comply with all elements of these two rulings, as well as with this ruling.

Dated July 20, 2015 at San Francisco, California.

/s/ ANNE E. SIMON

Anne E. Simon
Administrative Law Judge